

MARKET CONDUCT EXAMINATION

WASHINGTON DENTAL SERVICE

**9706 4TH AVENUE NE
SEATTLE, WASHINGTON 98125**

January 1, 2003 – June 30, 2004



Exhibit A
Order No. G 05-74
Washington Dental Service

TABLE OF CONTENTS

Section	Page
Table of Contents	2
Salutation	3
Chief Examiner's Report Certification & Acknowledgements	4
Foreword	5
Company Operations and Management	7
General Examination Findings	8
Advertising	8
Complaints	10
Claims	11
Underwriting	13
Rate and Form Filing	15
Provider Activity	16
Administrative Contracts	18
Instructions and Recommendations	19
Summary of Standards	20
Appendices	24

The Honorable Mike Kreidler
Washington State Insurance Commissioner
302 14th Avenue SW
P.O. Box 40258
Olympia, Washington 98504-0258

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.44.145 and procedures promulgated by the National Association of Insurance Commissioners and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs has been performed of:

Washington Dental Service, NAIC #47341
9706 4th Avenue NE
Seattle, Washington 98125

In this report, Washington Dental Service is referred to as WDS or as the Company.

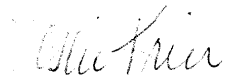
This report of examination is respectfully submitted.

CHIEF EXAMINER'S REPORT CERTIFICATION and ACKNOWLEDGEMENTS

This examination was conducted in accordance with Office of Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. Nancy L. Campbell, AIE, ACS, George J. Lazur, CIE, CPCU, Sandy Ray, CPCU, and Jeanette Plitt, CLU of the Washington State Office of Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended by the personnel of Washington Dental Service during the course of this market conduct examination.

I certify that this document is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of Insurance Commissioner and that this report is true and correct to the best of my knowledge and belief.



Leslie A. Krier, AIE, FLMI
Chief Market Conduct Examiner
Office of the Insurance Commissioner
State of Washington

FOREWORD

This examination was completed by applying tests to each examination standard. Each test applied during the examination is stated in this report and the results are reported. Exceptions are noted as part of the comments for the applied test. Throughout the report, where cited, RCW refers to the Revised Code of Washington, and WAC refers to Washington Administrative Code.

Scope

Time Frame

The examination covered the Company's operations from January 1, 2003 through June 30, 2004. Washington Dental Service underwent market conduct examinations in 1989 and 1995. This was the third market conduct examination. This examination was performed in the Seattle OIC office and at the Company's office.

Matters Examined

The examination included a review of the following areas:

Advertising	Claims
Complaints	Provider Activity
Underwriting and Rating	Contract Administration
Administrative Contracts	

Sampling Standards

Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92 %	Confidence Level
+/- 5 %	Mathematical Tolerance

Regulatory Standards

Market conduct samples are tested for compliance with standards established by the OIC. The tests applied to sampled data will result in an error ratio, which determines whether or not a standard is met. If the error ratio found in the sample is, generally, less than 5%, the standard will be considered as met. The standards in the area of agent licensing and appointment, and policy and form filings will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample.

For those standards, which look for the existence of written procedures, or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the company follows established procedures.

Standards will be reported as Passed (without Comment), Passed with Comment or Failed. The definition of each category follows:

Passed	There were no findings for the standard.
Passed with Comment	Errors in the records reviewed fell within the tolerance level for that standard.
Failed	Errors in the records reviewed fell outside of the tolerance level established for the standard.

COMPANY OPERATIONS AND MANAGEMENT

Company History

Washington Dental Service was incorporated and commenced business in October 1954. The Company was issued a certificate of registration as a health care service contractor by the OIC on June 21, 1955. WDS is a member of Delta Dental Plan Association (DDPA), a nationwide organization of similar corporations providing national cooperation in claims processing and servicing of contracts. The Company offers plans throughout the State of Washington. The Company is also able to handle national accounts through DDPA and DeltaUSA.

WDS Holdings, LLC was created in 2001 for the purpose of housing related subsidiaries. The subsidiaries include: Washington Dental Service Foundation, Electronic Direct Internet Transactions, Inc. (EDIT), Delta Dental Data and Analysis Center, Inc., and C3 Scientific Corporation.

WDS operates two (2) satellite offices in Eastern Washington. The Spokane office is primarily responsible for conducting sales and customer outreach. The Colville office is a call center/customer service center.

Company Management & Operations

The Company is governed by a 16-member Board of Directors. The current members of the board are:

Board Member	Term Began	Term Expires
Mr. Richard R. Albrecht	2004	2007
Dr. David Branch	2005	2008
Mr. James D. Dwyer	2005	2008
Ms. Roberta Greene	2004	2007
Robb Heinrich, DDS	2004	2007
John Henricksen, DDS	2003	2006
Irene F. Hunter, DDS	2004	2007
Wally W. Kegel, DDS	2005	2008
Mr. Alan O. Link	2004	2007
Lawrence E. Mast, DDS	2003	2006
Mr. Neil L. McReynolds	2003	2006
Mr. Donald P. Nielsen	2004	2007
Robert P. Parker Jr., DDS	2004	2007
Mr. Alan W. Puckett	2005	2008
Mr. R. Gary Schweikhardt	2004	2007
Dr. Steve Talbot	2005	2008

Findings

Company Operations and Management Standard #2 is not applicable to this examination. The examiners did not review the minutes of the Board of Directors meetings.

The following Company Operations & Management Standards passed without comment:

	Company Operations & Management Standard	Reference
1	The company is required to be registered with the OIC prior to acting as a health care service contractor in the State of Washington.	RCW 48.44.015(1)
3	When the company registers with the OIC, it is required to state its territory of operations.	RCW 48.44.040

GENERAL EXAMINATION FINDINGS

The Company's records and operations were reviewed to determine if the Company does business in accordance with the requirements of this state.

Findings

The following General Examination Standards passed without comment:

#	General Examination Standards	Reference
1	The company does business in good faith, and practices honesty and equity in all transactions.	RCW 48.01.030
2	The company must facilitate the examination process by providing its accounts, records, documents and files to the examiners upon request.	RCW 48.44.145(2)
3	The company may not discourage members from contacting the OIC and may not discriminate against those members that do contact the OIC.	WAC 284-30-572(2)

ADVERTISING

Advertising Procedures

The Company provided the examiners with its advertising guide. The guide is used by the WDS Marketing and Sales Departments and the Company's advertising agency to prepare any communication material used by the Company. The Marketing Department maintains the advertising file with all materials including WDS's website. The Marketing Department is also responsible for reviewing and approving all advertising materials sent to agents and brokers.

Advertising File Review

WDS supplied the examiners with a listing of 38 pieces of advertising that were used during the examination period. The advertising file included the following:

- Six (6) print advertisements
- Six (6) radio advertisements
- Four (4) television advertisements
- Six (6) direct mail pieces
- Four (4) outdoor advertisements
- Twelve (12) advertisements used on the internet

The examiners reviewed the entire advertising file.

Findings

The following Advertising Standards passed without comment:

#	Advertising Standards	Reference
1	No advertising may contain any false, deceptive, or misleading information.	RCW 48.44.110, WAC 284-50-060
2	The company cannot make misleading comparisons with other companies to induce the consumer to change from another HCSC.	RCW 48.44.140
4	The company maintains a complete advertising file.	WAC 284-50-200
5	The company cannot misrepresent the terms, benefits, or advantages of the contract.	RCW 48.44.120, WAC 284-50-050
6	The company cannot guarantee future dividends or future refunds except in group contracts with an experience refund provision.	RCW 48.44.130

The following Advertising Standard failed:

#	Advertising Standards	Reference
3	The company complies with the Washington Disability Insurance Advertising Regulations.	WAC 284-50-010 through WAC 284-50-230

Advertising Standard #3:

WAC 284-50-110(3) requires that the source of statistical information be cited in any advertisement. Twelve (12) of the Company's advertisements cited statistical data and did not contain to the source of those statistics. See Appendix 1.

COMPLAINTS

Complaint Procedures

WDS supplied the following procedures for review:

- Office of Insurance Commissioner (OIC) Registered Complaint Correspondence Internal Checklist
- Procedure for OIC Registered Complaints
- Non OIC Appeals Process

The procedures are comprehensive, detailed, and accurately describe the processes in place to handle complaints sent directly to WDS and complaints that are received from the OIC.

Company Complaints Review

WDS provided the examiners with its database of member complaints that were received during the examination period. There were 84 complaints in the database. A random sample of 20 files was selected for review.

OIC Complaints Review

There were 69 complaints during the examination period that WDS received via the OIC. A random sample of 20 files was selected for review.

Findings

The following Complaint Standards passed without comment:

#	Complaint Standards	Reference
1	The company has filed a copy of its procedures for review and adjudication of complaints.	RCW 48.43.055
2	The company maintains a fully operational, comprehensive grievance process.	WAC 284-43-615
3	Response to communications from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested by the OIC.	WAC 284-30-650, Technical Advisory T 98-4

The following Complaint Standard failed:

#	Complaint Standards	Reference
4	The company complies with procedures for health care service review decisions.	WAC 284-43-620

Complaint Standard #4:

WAC 284-43-620(1) requires that a carrier reconsider adverse determinations and notify the covered person of its decision within 14 days of receipt of an appeal. If an extension is necessary, the decision cannot be delayed more than 30 days and requires the covered person's consent. Seven (7) of the 20 appeals directed to the Company were not handled within 14 days of receipt. WDS did not notify the covered person of the need for an extension to reach a decision. In three (3) of these seven (7) appeals, decisions were not rendered until after 30 days had passed. See Appendix 2.

CLAIMS**Claims Processing Manual**

WDS provided the following procedure manuals for review:

- CMS Procedure Manual
- Dental on Demand Procedure Manual

No issues or areas of concern were found in the manuals.

Claims Processing

The Company's CMS system was in place and used until May 31, 2003. It had been in place for approximately 20 years. Effective June 1, 2004, the CMS system was replaced by the Dental on Demand system.

It was noted during the examination that a number of files did not include the original billing submitted by the provider. The Company informed the examiners that claim forms were not scanned between June 1, 2003 and December 14, 2003. WDS realized that this method of processing did not allow it to respond adequately to members or providers if questions were raised after adjudication of a claim. The Company began imaging claim forms again on December 15, 2003.

Two (2) claims contained errors that occurred early in the claim system conversion:

- One (1) claim indicated a paid date of October 6, 2003. Review of this claim showed that it was processed and paid on September 18, 2003.
- One (1) claim reflected a received date of February 2, 2003, which is prior to the treatment date of March 24, 2003.

WDS attributes both of these errors to issues with the conversion to its new claims processing system. Both claims were placed into a manual processing queue due to the date discrepancies and subsequently processed correctly. The examiners did not note a pattern of these types of errors during review of the sample files.

Claims Review

The Company processed 529,671 claims during the examination period. The examiners selected a random sample of 100 claims for review. These claims reflected an amount of \$0 paid or the claims were denied.

Findings

The following Claims Standards passed without comment:

#	Claims Standards	Reference
1	The company shall provide no less than urgent and emergent care to a child who does not reside in the company's service area.	RCW 48.01.235(3)
2	The company shall not retrospectively deny an individual prescription drug claim that had prior authorization.	RCW 48.44.465
3	The company shall not deny benefits for any service performed by a denturist if the service performed was within the lawful scope of such person's license, and the agreement would have provided benefit if services were performed by a dentist.	RCW 48.43.180, RCW 48.44.500
5	The denial of any claim must be communicated to the provider or facility with the specific reason the claim was denied.	WAC 284-43-321(4)
6	The company administers coordination of benefits provisions as required.	Chapter 284-51 WAC

The following Claims Standard failed:

#	Claims Standards	Reference
4	The company shall pay or deny claims subject to the required minimum standards. The company pays interest on undenied and unpaid clean claims that are more than 61 days old.	WAC 284-43-321(2)

Claims Standard #4:

WDS provided its claims processing lag report for the examination period. WAC 284-43-321(2)(a)(i) requires the Company to pay 95% of its monthly volume of clean claims within 30 days. WDS failed to promptly pay clean claims within 30 days in nine (9) of the 18 months of the examination period. Seven (7) of the nine (9) months are immediately after the Company's conversion to its new claim processing system. See Appendix 3.

UNDERWRITING

Underwriting Procedures

The company provided its Underwriting Guidelines as well as numerous other supporting documents. The guidelines and documents are comprehensive and describe the criteria used by the Company to determine group eligibility.

Underwriting Process

The Company writes group business in the following categories:

- Pooled – Groups of more than five (5) but less than 100 employees.
- Experience rated non-retention – Groups of at least 100 employees but less than 400 employees.
- Retention – Groups of over 400 employees.
- Cost Plus – Groups of over 50 employees electing administrative services only.

New groups submit a group master application, employee enrollment forms, and the first month's premium to the Company. A group number is assigned. Identification cards, benefit booklets, and enrollment forms are prepared. In addition, an administration kit is provided to each group. Enrollment data, group information, and benefit and rate information is also added to the system.

Underwriting File Review

The examiners reviewed two (2) segments of the Company's group business: new groups written during the examination period and existing business that was in effect at any given time during the examination period. The following is a breakdown of the total population and random samples selected for review:

Type of Business		Total Population	Sample Selected
New Business		559	50
Existing	Inforce	2,099	25
	Terminated	317	25
Total		2,975	100

The examiners reviewed the files to assure:

- Rates and benefits were appropriate to group demographics.
- Members of groups were not unfairly denied coverage.
- Notifications of renewal action or termination were provided in a timely manner.

- The Company's underwriting procedures and guidelines were applied consistently throughout the sample.

The examiners found two (2) instances of delay in group terminations:

- One (1) group terminated June 30, 2004. Letters notifying the group that it was under five (5) employees were mailed September 27, 2004, three (3) months after the termination date (OIC #N06, Group #1836).
- One (1) group terminated on June 30, 2003. The termination memo in the file is dated January 30, 2004, seven (7) months after the termination date (OIC #N12, Group #1888).

Findings

The following Underwriting Standards passed without comment:

#	Underwriting Standards	Reference
2	Dependent children cannot be terminated from an individual or group plan because of developmental disability or physical handicap.	RCW 48.44.210
3	All plans shall cover newborn infants and congenital anomalies from the moment of birth.	RCW 48.44.212(1)
4	No plan may deny coverage solely on account of race, religion, national origin, or the presence of any sensory, mental, or physical handicap.	RCW 48.44.220
5	Adoptive children shall be covered on the same basis as other dependents.	RCW 48.44.420
6	Dependents shall have the right to continue coverage in the event of loss of eligibility by the principal enrollee.	RCW 48.44.400
7	All plans shall offer optional coverage for the treatment of temporomandibular joint disorders (TMJ) and maintain proof of offer as required.	RCW 48.44.460, WAC 284-44-042

The following Underwriting Standard passed with comment:

#	Underwriting Standards	Reference
1	The company complies with the prescribed requirements for enrollment and coverage of a child under the health plan of the child's parent.	RCW 48.01.235

Underwriting Standard #1:

The dependent eligibility requirements in WDS's contracts state that only an eligible parent may enroll a child. RCW 48.01.235(4)(b) states that the other parent may enroll the child if the eligible parent is obligated by law to cover the dependent child and has failed to make application for the child. In a memorandum from WDS dated March 3, 2005, the Company contradicted its contract language and stated that it does permit enrollment by the other parent.

RCW 48.01.235 also includes requirements for claims processing for dependent children. The examiners confirmed the Company's claims procedures regarding custodial parents and found the procedures for standard care, emergency care, and distribution of explanations of benefits, to be in compliance with the statute. As of the date of this report, notification has not been distributed to members.

Subsequent Event: Effective July 12, 2005, the Company is incorporating the correct language in its contracts and booklets coincident with new groups written and renewing groups. On August 1, 2005, WDS will be submitting its 2006 contract and plan booklet filings to the OIC for an effective date of January 1, 2006. The language in both documents clearly states that the custodial parent or a state agency may enroll an eligible child if the eligible parent fails to do so.

RATE AND FORM FILING

Rate and Form Filing Review

Using the sample of 50 new groups selected for the underwriting section of this examination, the examiners compared the rates filed by WDS to the rates that were billed to the groups. Seventeen (17) of the 50 groups renewed coverage during the examination period. The renewal rates were reviewed as well.

Findings

Standard #1 was not tested. The Company's filings of contract forms were not reviewed. Only the Company's rate filings were included in the scope of the examination.

The following Rate and Form Filing Standards passed without comment:

#	Rate and Form Filing Standards	Reference
3	All contract forms and rates have been filed with the OIC on transmittal forms prescribed by and available from the Commissioner.	WAC 284-43-925

The following Rate and Form Filing Standard passed with comment:

#	Rate and Form Filing Standards	Reference
2	All rates have been filed with the OIC prior to use.	RCW 48.44.040, WAC 284-43-920

Rate and Form Filing Standard #2:

WDS filed one (1) group as a negotiated group in 2003. WDS subsequently withdrew the filing because of the group's size. However, the rates billed to the group were those that were submitted as the negotiated filing. This group also renewed during the examination period with negotiated rates. The examiners could not locate a filing for the renewal and WDS confirmed

that the 2004 rates were not filed. The rates billed to the group were less than the commercial rates that should have been billed. Since the rates were less, a refund is not due to the group. (OIC #N2, Group #279).

PROVIDER ACTIVITY

Provider Contracting Process

Provider contracting is handled by WDS's Technical Services Department. When a provider contacts WDS with interest in becoming a member dentist, an application and credentialing profile are mailed to the dentist. When the materials are returned, the dentist's application is reviewed and either accepted or denied based on the Company's participating provider selection criteria.

After acceptance as a WDS provider, the dentist is notified of the effective date of WDS membership. A CD containing the Member Dentist Manual and other administrative materials are mailed. If the dentist's application for a provider contract is denied, a letter is sent to the applicant by the Company's Vice President/Dental Director.

Provider Manuals

The Rules and Regulations of Washington Dental Service establish the responsibilities and obligations of contracted dentists along with the requirements and expectations that are placed on them. The examiners found the information contained in the provider manual to be comprehensive and no irregularities or violations were noted.

Provider Directories

The Company provided directories for the following plans from which the samples were selected:

- DeltaCare 2003
- DeltaCare 2004
- DeltaPreferred Option 2003
- DeltaPreferred Options 2004
- Delta Premier 2003
- Delta Premier 2004

The Company also provided electronic copies of its DeltaPreferred Option USA plan and DeltaCareUSA provider directories. These two (2) directories represent plans offered on a national level through WDS's affiliation with Delta Dental Plans Association. WDS member dentists automatically participate in the DeltaPreferred Option USA plan only if they also participate in the WDS PPO Plan (DeltaPreferred Option). All DeltaCare participating dentists

automatically participate in the DeltaCareUSA plan. Both USA plans duplicate the stand alone WDS directories.

Provider Activity Review

A random sample of 25 providers was selected from the directories that WDS provided.

Findings

The following Provider Activity Standards passed without comment:

#	Provider Activity Standards	Reference
2	All provider contract forms must contain and adhere to the prescribed standards.	WAC 284-43-320 through WAC 284-43-340
3	All plans must allow enrollees to select a primary care provider who is accepting new patient from a list of participating providers.	RCW 48.43.515, WAC 284-43-251
4	Company standards for selection of participating providers and facilities does not result in risk avoidance or discrimination by excluding providers or facilities specializing in specific treatments or located in high risk geographic areas.	WAC 284-43-310(1)(a) and (b)

The following Provider Activity Standard passed with comment:

#	Provider Activity Standards	Reference
1	All provider contract forms must be filed with and approved by the OIC prior to use.	RCW 48.44.070, WAC 284-43-330

Provider Activity Standard #1:

The Company was unable to provide proof of filing for the following forms that were in use during the examination period:

- Washington Dental Service Member Dentist Agreement – Edition 1/28/91
- Participating Provider Organization Provider Agreement – Edition May 1993

While the forms above have since been revised and filed as required, the Company did not maintain adequate records which would enable it to verify filing.

ADMINISTRATIVE CONTRACTS

The Company provided the examiners with a listing of 14 administrative contracts that were in place during the examination period. The services provided via these administrative contracts include support of internet applications, printing and mailing services, fax services, database maintenance, hardware and software support, document shredding, and electronic claims batching. Four (4) of these contracts were reviewed. The contracts were found to be in order and no issues or concerns were noted.

INSTRUCTIONS AND RECOMMENDATIONS

#	Instruction	Page #
1	The Company is instructed to cite its source of statistics in its advertisements. Reference: WAC 284-50-110(3).	9
2	The Company is instructed to reconsider adverse determinations that are appealed within 14 days of receipt of the appeal. The Company is instructed to notify the covered person if an extension is required. Reference: WAC 284-43-620(1).	10
3	The Company is instructed to pay or deny claims subject to the required minimum standards. The Company is instructed to pay interest on undenied and unpaid clean claims that are more than 61 days old. Reference: WAC 284-43-321(2)(a)(i).	12
4	The Company is instructed to correct the contract and billing for Group #279. Due to the group's size, the Company is instructed to issue its commercial contract and rates to the group. Reference: RCW 48.44.040, WAC 284-43-920.	15

#	Recommendation	Page #
1	It is recommended that the Company amend its contract language to reflect that a parent, custodial or noncustodial, may enroll a child if the eligible parent is obligated by law to do so and has failed to make application for the dependent child. Reference: RCW 48.01.235(4)(b).	14
2	It is recommended that the Company file its provider contract forms with the OIC and obtain approval from the OIC prior to use. Reference: RCW 48.44.070, WAC 284-43-330.	17

SUMMARY OF STANDARDS

Company Operations and Management:

#	STANDARD	PAGE	PASS	FAIL
1	The company is required to be registered with the OIC prior to acting as a health care service contractor in the State of Washington. Reference: RCW 48.44.015(1).	8	X	
2	The company is required to report to the OIC any changes to the registration documents, including Articles of Incorporation, Bylaws, and Amendments at the same time as submitting such documents to the Secretary of State. Reference: RCW 48.44.013.	8	NA	
3	When the company registers with the OIC, it is required to state its territory of operations. Reference: RCW 48.44.040.	8	X	

General Examination Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The company does business in good faith, and practices honesty and equity in all transactions. Reference: RCW 48.01.030.	8	X	
2	The company must facilitate the examination process by providing its accounts, records, documents and files to the examiners upon request. Reference: RCW 48.44.145(2).	8	X	
3	The company may not discourage members from contacting the OIC and may not discriminate against those members that do contact the OIC. Reference: WAC 284-30-572(2).	8	X	

Advertising Findings:

#	STANDARD	PAGE	PASS	FAIL
1	No advertising may contain any false, deceptive, or misleading information. Reference: RCW 48.44.110, WAC 284-50-060.	9	X	
2	The company cannot make misleading comparisons with other companies to induce the consumer to change from another HCSC. Reference: RCW 48.44.140.	9	X	
3	The company complies with the Washington Disability Insurance Advertising Regulations. Reference: WAC 284-50-010 through WAC 284-50-230.	9		X
4	The company maintains a complete advertising file. Reference: WAC 284-50-200.	9	X	
5	The company cannot misrepresent the terms, benefits, or advantages of the contract. Reference: RCW 48.44.120, WAC 284-50-050.	9	X	

#	STANDARD	PAGE	PASS	FAIL
6	The company cannot guarantee future dividends or future refunds except in group contracts with an experience refund provision. Reference: RCW 48.44.130.	9	X	

Complaints Findings:

#	STANDARD	PAGE	PASS	FAIL
1	The company has filed a copy of its procedures for review and adjudication of complaints. Reference: RCW 48.43.055.	10	X	
2	The company maintains a fully operational, comprehensive grievance process. Reference: WAC 284-43-615.	10	X	
3	Response to communications from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested by the OIC. Reference: WAC 284-30-650, Technical Advisory T 98-4.	10	X	
4	The company complies with procedures for health care service review decisions. Reference: WAC 284-43-620.	10		X

Claims:

#	STANDARD	PAGE	PASS	FAIL
1	The company shall provide no less than urgent and emergent care to a child who does not reside in the Company's service area. Reference: RCW 48.01.235(3).	12	X	
2	The company shall not retrospectively deny an individual prescription drug claim that had prior authorization. Reference: RCW 48.44.465.	12	X	
3	The company shall not deny benefits for any service performed by a dentist if the service performed was within the lawful scope of such person's license, and the agreement would have provided benefits if services were performed by a dentist. Reference: RCW 48.43.180, RCW 48.44.500.	12	X	
4	The company shall pay or deny claims subject to the required minimum standards. The company pays interest on undenied and unpaid clean claims that are more than 61 days old. Reference: WAC 284-43-321(2).	12		X
5	The denial of any claim must be communicated to the provider or facility with the specific reason the claim was denied. Reference: WAC 284-43-321(4).	12	X	
6	The company administers coordination of benefits provisions as required. Reference: Chapter 284-51 WAC	12	X	

Underwriting:

#	STANDARD	PAGE	PASS	FAIL
1	The company complies with the prescribed requirements for enrollment and coverage of a child under the health plan of the child's parent. Reference: RCW 48.01.235.	14	X	
2	Dependent children cannot be terminated from an individual or group plan because of developmental disability or physical handicap. Reference: RCW 48.44.210.	14	X	
3	All plans shall cover newborn infants and congenital anomalies from the moment of birth. Reference: RCW 48.44.212(1).	14	X	
4	No plan may deny coverage solely on account of race, religion, national origin, or the presence of any sensory, mental, or physical handicap. Reference: RCW 48.44.220.	14	X	
5	Adoptive children shall be covered on the same basis as other dependents. Reference: RCW 48.44.420.	14	X	
6	Dependents shall have the right to continue coverage in the event of loss of eligibility by the principal enrollee. Reference: RCW 48.44.400.	14	X	
7	All plans shall offer optional coverage for the treatment of temporomandibular joint disorders (TMJ) and maintain proof of offer as required. Reference: RCW 48.44.460, WAC 284-44-042.	14	X	

Rate and Form Filing:

#	STANDARD	PAGE	PASS	FAIL
1	All contract forms have been filed with and approved by the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920.	15	NA	
2	All rates have been filed with the OIC prior to use. Reference: RCW 48.44.040, WAC 284-43-920.	15	X	
3	All contract form and rates have been filed with the OIC on transmittal forms prescribed by and available from the Commissioner. Reference: WAC 284-43-925.	15	X	

Provider Activity:

#	STANDARD	PAGE	PASS	FAIL
1	All provider contract forms must be filed with and approved by the OIC prior to use. Reference: RCW 48.44.070, WAC 284-43-330.	17	X	
2	All provider contract forms must contain and adhere to the prescribed standards. Reference: WAC 284-43-320 through WAC 284-43-340.	17	X	

#	STANDARD	PAGE	PASS	FAIL
3	All plans must allow enrollees to select a primary care provider who is accepting new patients from a list of participating providers. Reference: RCW 48.43.515, WAC 284-43-251.	17	X	
4	Company standards for selection of participating providers and facilities does not result in risk avoidance or discrimination by excluding providers or facilities specializing in specific treatments or located in high risk geographic areas. Reference: WAC 284-43-310(1)(a) and (b).	17	X	

APPENDIX 1

Advertising Standard #3: The Company complies with the Washington Disability Insurance Advertising Regulations. Reference: WAC 284-50-010 through WAC 284-50-230.

WAC 284-50-110(3): The source of any statistics used in an advertisement shall be identified in such advertisement.

OIC ID #	Company ID #	Description	Comments
1	12-1165-ValueTap-F (5.5 x 4.25) 7/19/02	Print Ad: "Smile. You'll get more grins for your benefit dollar with Delta Dental"	Ad states "...access to nine out of ten dentists in Washington."
2	2030888 Brems Eastman & Partners Delta Dental Ad (9.5 x 11.25) TIFFIT & FILES	Print Ad: "Smile. Nine out ten Washington dentists are part of our network"	Ad states "With nine out of ten dentists on our plan, our network is the largest in the state"; "nearly 100 percent of our member dentists participate in our plans year after year."
5	No Company ID #	Print Ad: "Healthier is cooler"	Ad states "...the nation's largest dental database..."
6	20401068 DNA Brand Mechanics Ad #2 Puget Sound Business Journal (7.375 x 10) PDF	Print Ad: "Healthier is hotter"	Ad states "...the nation's largest dental database..."
9	9/11/03	Radio Ad: "Heroic Dentists"	Ad states "...nine out of ten dentists are part of the Delta Dental network."
17	No Company ID #	Direct Mail: "Our dental coverage is just what you'd expect. And isn't <u>that</u> a nice surprise?"	Ad states "...includes more than 9 out of 10 dentists in the state."
18	No Company ID #	Direct Mail: "Choose the plan that 9 out of 10 dentists choose."	Ad states "...with 9 out of 10 dentists in Washington participating in the Delta Dental network"
19	No Company ID #	Direct Mail: "Prevent financial decay."	Ad states "...9 out of 10 dentists in Washington are part of the Delta Dental network."

OIC ID #	Company ID #	Description	Comments
21	No Company ID #	Direct Mail: "Dental coverage that's thorough, reliable and under-appreciated. Sort of like you."	Ad states "...with 9 out of 10 dentists in Washington participating in the Delta Dental network."
22	No Company ID #	Direct Mail: "People who hate surprises love Delta Dental plans."	Ad states "...9 out of 10 dentists in Washington are part of the Delta Dental network."
23	No Company ID #	Outdoor Ad: "Choose the plan that 9 out of 10 dentists chose."	Ad states "...the plan that 9 out of 10 dentists choose."
27	No Company ID #	Internet marketing materials: "Smile. Your benefits are online" Brochure	Ad states "Nine out of ten dentists statewide are on at least one of our networks," "Across the nation, three out of four dentists are on Delta Dental plans."

APPENDIX 2

Complaints Standard #4: The Company complies with procedures for health care service review decisions. Reference: WAC 284-43-620.

WAC 284-43-620(1): The carrier must reconsider an adverse determination and notify the covered person of its decision with 14 days of receipt of the appeal. If an extension is necessary, it cannot delay the decision beyond 30 days and requires the informed, written consent of the covered person.

OIC ID #	Company ID #	# of Days to Decision
3	03000-90010	32
4	03000-90010	38
11	00186-01050	36
12	03000-900010	30
14	09012-10010	16
15	04400-11210	16
17	9086	17

APPENDIX 3

Claims Standard #4: The Company shall pay or deny 95% of all claims within sixty (60) days of receipt. The company pays interest on denied and unpaid clean claims that are more than 61 days old. Reference: WAC 284-43-321(2).

Month	% of Clean Claims Paid
June 2003	90.7%
July 2003	91.8%
August 2003	92.6%
September 2003	90.5%
October 2003	86.6%
November 2003	85.6%
December 2003	90.8%
May 2004	93.8%
June 2004	93.7%